

**Transcript of Remarks by Chairman Kent Conrad
commenting on published reports about a GOP memo which
acknowledges an expected raid of the Medicare Trust Fund
and possibly even the Social Security Trust Fund
Senate Print Gallery
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We've got something very interesting that to me represents a smoking gun. This is an internal Republican memo that somehow one of the news agencies got a copy of. And it basically confirms everything I've been saying for sometime that the Administration's budget and tax plan doesn't add up. It's going to be into Medicare and perhaps even Social Security Trust Funds in the years ahead.

This memo says very clearly that, "We are possibly already into the Medicare Part A trust fund this year and every year through fiscal year 2005." The GOP memo also says, "We also are very close to touching the Social Security surplus in FY 03."

You can go through it. It says, "'The result of this exercise is not pretty,' said the GOP memo comparing surplus numbers from CBO's January economic report with what the memo said are 'educated guesses' of the new, lower surplus projections the CBO is expected to release in its summer update."

So I think you now have Republicans' own memo saying their budget and tax plan doesn't add up. It's going to create serious problems as we go forward. This clearly puts in jeopardy a lot of what they have talked about.

This by their calculations they are into the Medicare trust fund fiscal year 01 every year for the next five years, maybe into Social Security in 2003. I'd say their numbers are overly optimistic with respect to fiscal year 2002. If you look at their numbers, there's something odd about 2003 is worse than 2002. That's not what our analysis would conclude. It's almost like they're trying to make room for doing some things in 2002 or at least not being as bad a shape in an election year. But it really doesn't make sense with the economic slowdown that is occurring you'd be worse off in 2003 than in 2002.

I wanted to draw this to your attention because there are a lot of things that are said here that I've tried to warn about repeatedly when we were in the budget fight and the tax fight and now it's the Republican's own memo confirming that they've got a budget plan that doesn't add up. And this is before the President's defense request for 2002; this is before any new money for education; this is before money for natural disasters; this is before any additional fix in the alternative minimum tax; this is before extending popular tax provisions that are expiring. As I've said I thought we were heading for a train wreck and I think this memo by the Republicans confirms it.

Partial transcript of Question and Answer session

Q - Would Senate Republicans have access to different information than you? Have you talked to CBO? Have they given you updates?

Conrad: They gave a briefing to us and gave some kind of rough range of what they're anticipating, and this was several weeks ago. Obviously, the situation has deteriorated since then. I don't know what the source of the Republican analysis is. I can't speak to that. But, this is a memo that they were circulating internally and a news service got hold of. You read this and it's pretty clear. Into the trust fund every year for the next five years.

Q - You use the phrase "train wreck" - that would seem to imply some sort of collision at the end of the appropriations process where Congress and White House can't agree on appropriations bills because Medicare trust funds are in dispute. Is that what you see happening?

Conrad: No. The train wreck that I'm talking about is the train wreck I predicted previously that you have a budget here that is based on an overly optimistic forecast which I warned about repeatedly in the budget and tax cut debates. Number two, you have a tax cut that is too big. And number three a budget that leaves out things like the President's defense request, like new money for education, like natural disasters. So you've got a budget that is a fraud to begin with compounded with a tax cut that is too big, coupled now with an economic slowdown that was not contemplated in a revenue forecast that was overly optimistic. So you've got a stew that is cooking that's going to be very hard to choke down. This budget never did add up. I said it over and over and over. I think now this Republican memo confirms that it didn't add up.

Q - Do you have the memo?

Conrad: No. But these are direct quotes from the memo

Q - Are you asking CBO to hurry up with these numbers because when we talk to them they say no one on the Hill has asked us to speed up?

Conrad: I've not asked them to speed it up. We're hearing that these numbers will come out the week of August 20th. All of us at this point are interested in the most accurate assessment of where we are. You know this has very significant implications for all of the reserve funds, except the prescription drug fund, because you'll recall the language says you can't release those funds if you're using HI trust fund money. You know the spin the White House was trying to put out that there's no Medicare trust fund. That's contradicted by this memo. They seem to think there is and they seem to think there's a problem with using those monies for other purposes. And it is clear they think it is being used which is what I've been saying. In addition, they say we're perilously close to Social Security in 03. Frankly, I believe we're going to be close in 02 because I think the number they've got for 02 in terms of reduced revenue forecast is itself overly optimistic. You know when we had a hearing before the Budget Committee of three of the most prominent economists in the country, they said we can anticipate revenue being down 50 to 75 billion dollars in 02. This has a forecast of revenue being down \$38 billion in 02. If you just

look at what's happened to corporate receipts. You know we had an announcement yesterday of the biggest loss in American history in economic write-off by a major corporation. You look at what's happening with announcements every day of layoffs. This notion of what was in the forecasts of just up, up and away for ten years. You know, this whole thing was dream world stuff.

Q - What can you do about it?.

Conrad: You know that's an unfair question to ask (laughter) at 3:30 on a Friday afternoon. It's a mess. This is a mess. What we're going to do about it? First of all. I put down a budget proposal to my colleagues that I think was a much more responsible budget proposal that would have avoided a lot of these problems. We wouldn't be in this mess under that budget proposal. So I think we have to go back and look at that budget outline as being much more realistic than what was passed and as the basis for the tax cut that is in place. I think everything has got to be reviewed. And, if this economy continues to weaken, that requires a different response as well. I think we have to be very open minded about how we respond. You saw the second quarter GDP numbers announced today. That sends out its own warning about where this economy is heading. So I think these folks have just put together a budget and tax plan that doesn't work, that doesn't add up and it's going to create problems for us every step of the way. And now it's not just me saying it. It's the Republicans own memo.